LYKE Financial Inc.

Investing Insight

LYKE FINANCIAL, INC.

U.S.—Stock Funds Rose 4.2% During the Third Quarter But Cash Flowed Overseas

It's October, and investors don't seem overly worried about ghosts in the stock market.

But just in case, they are increasingly taking a peek overseas where valuations might be more friendly.

In the third quarter, U.S. stocks and stock funds rose once again on the back of solid corporate earnings and hope for a tax overhaul in Washington. It is far from a frenzy—instead, trading has been slow and relatively calm. The average diversified U.S.-stock fund had a total return of 3% in September to complete a 4.2% advance for the quarter and push the year-to-date gain to 12.3%, according to Thomson Reuters Lipper data.

International-stock funds once again did even better—up 2.2% in the month, 5.9% in the quarter and now boasting a 21.9% advance so far this year. Emerging-markets funds in particular are hot, up 26.5% for the year.

The reason for the global bent: With U.S. stocks at highs, overseas markets are offering more-attractive prices many fund managers and strategists say.

"When we look at the economic cycle in the U.S., it looks good. It looks remarkably similar to the previous eight years," says Stephen P. Wood, chief market strategist for Russell Investments in New York. However, "our continuing concern is (stock) valuations in the U.S."

"For many U.S.-dollar-based investors, after an 8 1/2– year run, this typically may be a good opportunity to rebalance and do some rigorous global work," he says.

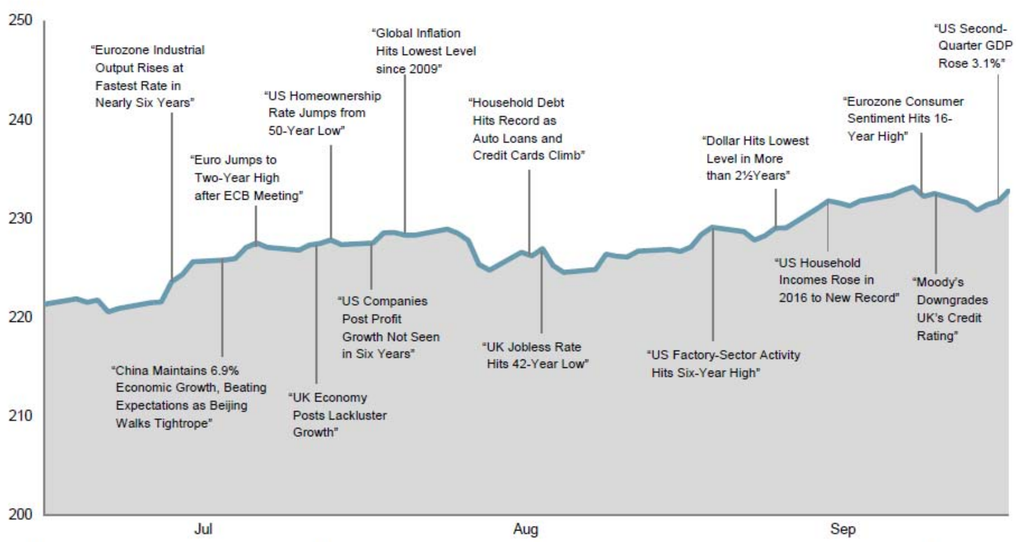
And that is exactly what many fund investors have been doing, judging by fund-flow numbers.

Investors in the third quarter pulled a net $47.65 billion from long-term mutual funds and exchange-traded funds focused on U.S. stocks, while adding $48.25 billion to international-stock funds and $95.14 billion to bond funds, according to Investment Company Institute estimates.

Bond-fund performance was positive in the quarter, even after some weakness in September as investors anticipate another interest-rate increase by the Federal Reserve. *William Power, Editor, Wall Street Journal*

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 2017



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

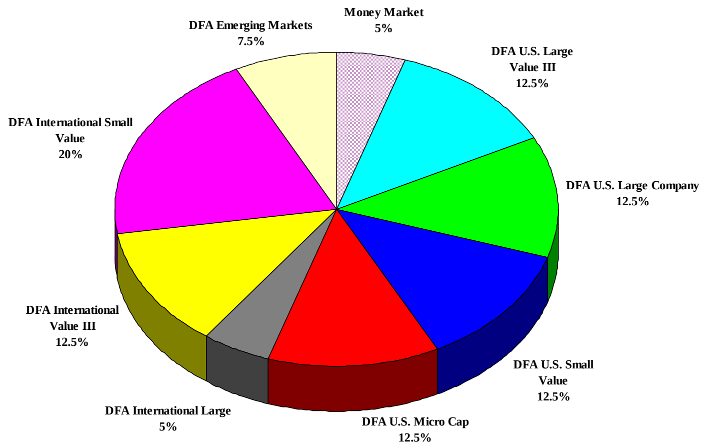
Graph Source: MSCI ACWI Index [net div.]. MSCI data © MSCI 2017, all rights reserved.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

Inside this issue:

Portfolio Returns:
January 1, 2017—September 30, 2017*

AGGRESSIVE GROWTH

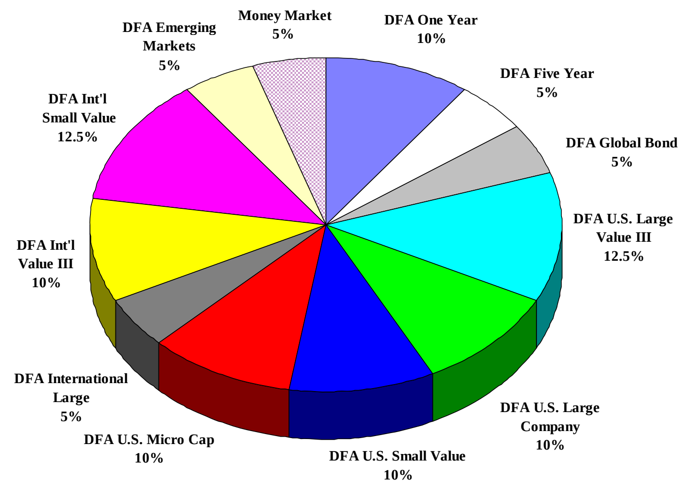
95% Equities/5% Fixed



Rate of Return 12.88%

LONG TERM GROWTH

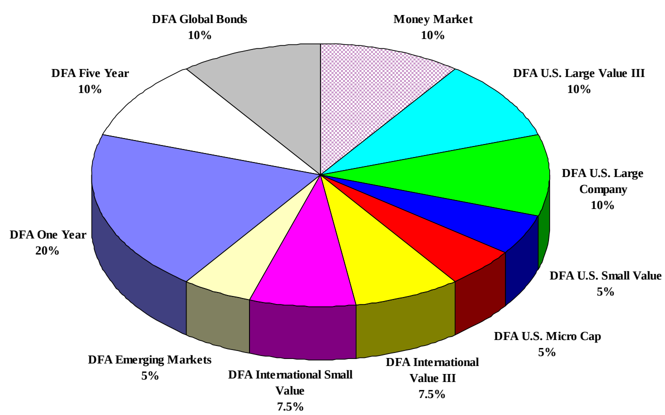
75% Equities/25% Fixed



Rate of Return 9.82%

BALANCED GROWTH

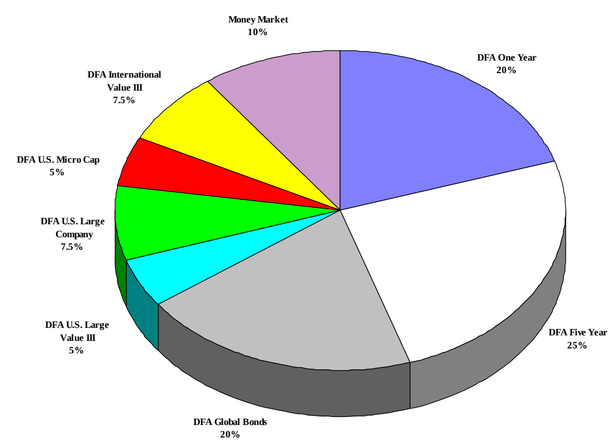
50% Equities/50% Fixed



Rate of Return 6.17%

INCOME & GROWTH

25% Equities/75% Fixed



Rate of Return 3.06%

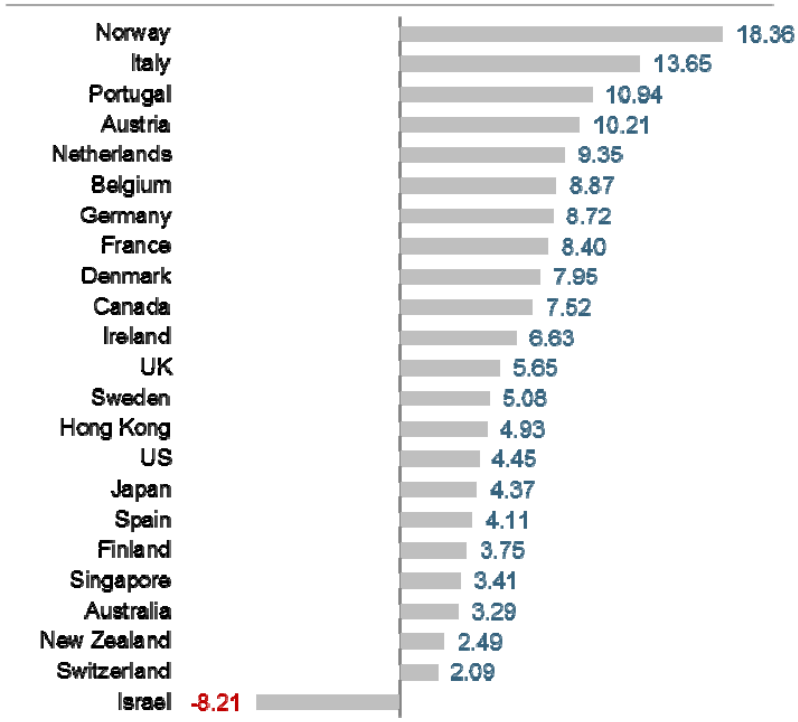
*Individual returns may vary slightly based upon assets, size and fees charged, performance shown is net of fees. Performance shown reflects the reinvestment of dividends and other earnings. The returns shown represent past performance and are not indicators of future results.

Select Country Performance

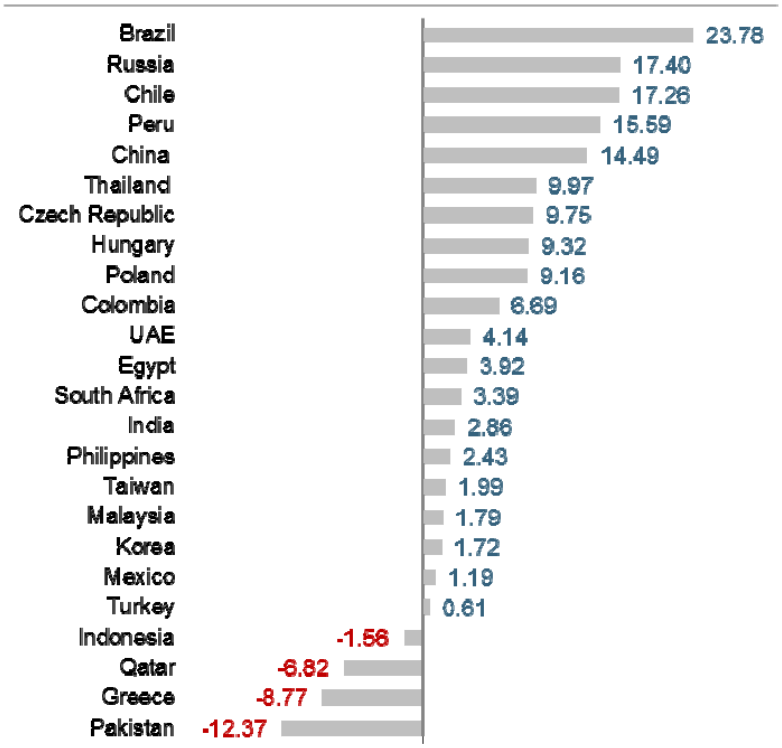
Third Quarter 2017 Index Returns

In U.S. dollar terms, Norway and Italy recorded the highest country performance in developed markets, while Israel posted the lowest—and only negative—returns in developed markets. In emerging markets, Brazil, Russia and Chile posted the highest country returns while Pakistan and Greece had the lowest performance.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



Meeting Expectations

All DFA portfolios are designed to deliver "market rates of return." DFA is not trying to "beat" the market by employing crystal ball type strategies, only working to achieve market returns, historically outpacing 90% of the active managers who attempt to beat the market.

To evaluate your portfolio, it is helpful to look at the various DFA funds and **compare them** to the specific markets in which they are invested:

	01/01/17 through 09/30/17 Return*
DFA U.S. Large Co.	**14.19%**
S&P 500 Index	14.24%
DFA U.S. Large Value	**10.80%**
S&P 500 Value	8.49%
DFA U.S. Micro Cap	**8.25%**
Russell 2000	10.94%
DFA U.S. Small Value	**3.96%**
Russell 2000 Value	5.68%
DFA Emerging Markets	**27.38%**
MSCI Emerging Market Idx	25.45%
DFA Int'l Large Company	**20.42%**
MSCI EAFE Large Co Idx	19.96%
DFA Int'l Large Value	**19.67%**
MSCI EAFE Value	17.64%
DFA Int'l Small Value	**23.25%**
MSCI EAFE Sm Cap Index	23.20%
DFA One Yr. Gov't Bond	**0.89%**
BarCap 1-3 Yr. Gov't	0.72%
DFA Short-Term Gov't Bond	**1.04%**
BarCap 1-5 Yr. Gov't	1.09%
DFA 5 Yr. Global Bond	**2.12%**
Citi WGBI AA 1-5 Yr. USD	3.10%

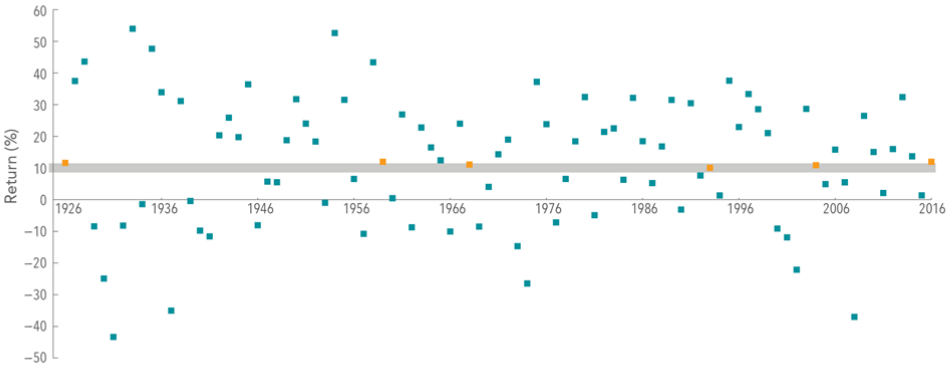
**Morningstar 09/30/17*

The Uncommon Average

The U.S. stock market has delivered an average annual return of around 10% since 1926. But short-term results may vary, and in any given period stock returns can be positive, negative or flat. When setting expectations, it's helpful to see the range of outcomes experienced by investors historically. For example, how often have the stock market's annual returns actually aligned with its long-term average?

The chart below shows calendar year returns for the S&P 500 Index since 1926. The shaded band marks the historical average of 10%, plus or minus 2 percentage points. The S&P 500 had a return within this range in only six of the past 91 calendar years. In most years the index's return was outside of the range, often above or below by a wide margin, with no obvious pattern. For investors, this data highlights the importance of looking beyond average returns and being aware of the range of potential outcomes.

S&P 500 Index Annual Returns
1926—2016

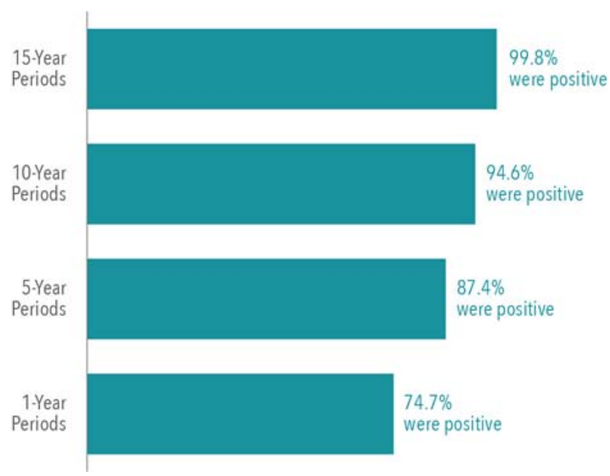


In US dollars. The S&P data are provided by Standard & Poor's Index Services Group. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Index returns do not reflect the cost associated with an actual investment.

TUNING IN TO DIFFERENT FREQUENCIES

Despite the year-to-year uncertainty, investors can potentially increase their chances of having a positive outcome by maintaining a long-term focus. Exhibit 2 documents the historical frequency of positive returns over rolling periods of one, five, 10, and 15 years in the U.S. market. The data shows that, while positive performance is never assured, investors' odds improve over longer time horizons.

Exhibit 1. Frequency of Positive Returns in the S&P 500 Index Overlapping Periods: 1926—2016



CONCLUSION

While some investors might find it easy to stay the course in years with above average returns, periods of disappointing results may test an investor's faith in equity markets. Being aware of the range of potential outcomes can help investors remain disciplined, which in the long term can increase the odds of a successful investment experience. What can help investors endure the ups and downs? While there is no silver bullet, having an understanding of how markets work and trusting market prices are good starting points. An asset allocation that aligns with personal risk tolerances and investment goals is also valuable. Financial advisors can play a critical role in helping investors sort through these and other issues as well as keeping them focused on their long-term goals. *Source: Dimensional Fund Advisors LP*